

Message Text

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TREASURY DEPT WASHDC IMMEDIATE
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AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY THE HAGUE
AMCONSUL GENOA
AMCONSUL MILAN
AMEMBASSY LONDON
AMCONSUL NAPLES
AMEMBASSY OTTAWA
AMCONSUL PALERMO
AMCONSUL FLORENCE
AMEMBASSY PARIS
AMEMBASSY STOCKHOLM
AMEMBASSY TOKYO
AMCONSUL TRIESTE
AMCONSUL TURIN

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ALSO FOR USEC; USOECD

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TAGS: EFIN, IT
SUBJ: GOI ECONOMIC REPORT FOR 1977

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SUMMARY. GOI ECONOMIC REPORT FOR CALENDAR YEAR 1977
(ALSO CONTAINING REVISED DATA 1974 THROUGH 1976)
APPROVED BY COUNCIL OF MINISTERS ON MARCH 30 SHOWS REAL
GDP INCREASE OF 1.7 PERCENT REFLECTING SIGNIFICANT DECLINE
OVER 1976 GDP GROWTH RATE OF 5.7 PERCENT. END SUMMARY.

2. INTRODUCTION. IN 1977 ITALY'S GDP ROSE TO 172,988 BILLION LIRE (143,849 IN 1976), REPRESENTING A GROWTH RATE IN MONETARY TERMS OF 20.3 PERCENT AND 1.7 PERCENT IN REAL TERMS. COMPARABLE GROWTH RATES FOR 1976 WERE INCREASES OF 25.0 PERCENT AND 5.7 PERCENT RESPECTIVELY, AS REFLECTED IN REVISED 1976 GDP DATA CONTAINED IN 1977 ECONOMIC REPORT. TOTAL GROSS FIXED DOMESTIC INVESTMENT IN REAL TERMS INCREASED BY ONLY 0.1 PERCENT OVER 1976 LEVEL, COMPARED TO AN INCREASE OF 1.9 IN 1976. AVERAGE UNEMPLOYMENT RATE, AS CALCULATED BY ISTAT UNDER THE NEW LABOR SURVEY SERIES STARTED IN JANUARY 1977 WAS 7.1 PERCENT OF LABOR FORCE WITH SHARE OF NATIONAL INCOME ACCRUING TO WAGE AND SALARY EARNERS IN 1977 RISING TO 71.6 PERCENT (69.9 PERCENT IN 1976). ITALY'S BALANCE OF PAYMENTS ON CURRENT ACCOUNT IN CURRENT LIRE WAS IN SURPLUS BY 1,857 BILLION LIRE. THIS COMPARED WITH A DEFICIT OF 2,365 BILLION LIRE IN 1976, AND DEFICIT OF 368 BILLION LIRE IN 1975.

2. SOURCES OF INCOME. ON SUPPLY SIDE, ALL SECTORS OF ECONOMY, EXCEPT FOR AGRICULTURE, REGISTERED AN INCREASE OVER 1976 IN REAL TERMS. OUTPUT OF AGRICULTURE AND RELATED SECTORS DECREASED BY 1.7 PERCENT. INDUSTRIAL ACTIVITIES INCREASED BY 1.1 AND TERTIARY (SERVICE) ACTIVITIES BY 3.4 PERCENT. IMPORTS OF GOODS AND SERVICES DECREASED BY 1.0 PERCENT IN VOLUME TO 13,806 BILLION LIRE COMPARED WITH 1976 INCREASE OF 14.9 PERCENT TO 13,940 BILLION LIRE.

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3. USES OF INCOME. ON DEMAND SIDE, GROSS DOMESTIC INVESTMENT DECREASED BY 7.9 PERCENT TO 12,486 BILLION LIRE (AT CONSTANT 1970 LIRE), REPRESENTING SIGNIFICANT DECLINE IF COMPARED WITH INCREASE OF 17.5 PERCENT IN 1976. THIS REFLECTED LARGE RUNDOWN OF INVENTORIES IN REAL TERMS, AS GROSS FIXED INVESTMENT ALONE ROSE BY 0.1 PERCENT IN REAL TERMS (INCREASE OF 1.9 PERCENT IN 1976). INVESTMENT IN INDUSTRIAL ACTIVITIES DECLINED BY 1.1 PERCENT AND IN PUBLIC ADMINISTRATION BY 3.3 PERCENT, WHEREAS FIXED INVESTMENT IN SERVICE ACTIVITIES ROSE BY 1.3 PERCENT. INVESTMENTS IN AGRICULTURE AND RELATED SECTORS WERE THE SAME AS IN 1976. IN 1977 GROSS FIXED INVESTMENT AS PERCENTAGE OF GDP (AT CONSTANT 1970 PRICES) WAS 17.0 PERCENT COMPARED WITH 17.3 PERCENT IN 1976. PUBLIC CONSUMPTION INCREASED BY 2.3 PERCENT TO 9,401 BILLION LIRE, COMPARED WITH INCREASE OF 1.8 PERCENT IN 1976, WHILE REAL PRIVATE CONSUMPTION IN 1977 INCREASED BY 2.1 PERCENT TO 45,174 BILLION LIRE (44,233 BILLION IN 1976). MEASURED ON GDP CONCEPTS, EXPORTS OF GOODS AND SERVICES ROSE BY 5.8 PERCENT IN REAL TERMS TO 16,971 BILLION LIRE COMPARED WITH AN INCREASE OF 13.7 PERCENT IN 1976 TO 16,034 BILLION LIRE.

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4. FOLLOWING IS BREAKDOWN GDP IN BILLIONS OF CURRENT
AND CONSTANT (1970) LIRE FOR 1976 AND 1977:

BIL. CONSTANT		
BIL. CUR. LIRE	(1970) LIRE	O/O

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	1976	1977	1976	1977	CHANGE
PRVT. CONS.	93,996	113,269	44,233	45,174	2.1
PUBL. CONS.	19,413	24,270	9,190	9,401	2.3
GROSS FXD					
INVEST.	28,730	34,193	11,926	11,938	0.1
CHANGE IN					
STOCKS	5,668	2,390	1,629	548	
EXPORTS G&S	35,885	45,226	16,034	16,971	5.8
IMPORTS G&S	-39,843	-46,360	-13,940	-13,806	-1.0
GDP AT MKT					
PRICES	143,849	172,988	69,072	70,226	1.7

5. LABOR AND EMPLOYMENT. EMPLOYMENT ON AVERAGE ROSE BY 95,000 UNITS IN 1977 DESPITE SMALL AVERAGE INCREASE (0.9 PERCENT) IN INDUSTRIAL PRODUCTION REGISTERED IN THAT YEAR. WAGE CONTRACT SETTLEMENTS CONCLUDED IN 1977 AND QUARTERLY WAGE REVISIONS BASED ON COST OF LIVING SLIDING SCALE CONTINUED TO PUSH UP LABOR COSTS. SHARE OF NATIONAL INCOME ACCRUING TO WAGE AND SALARY EARNERS IN 1977 ROSE TO 71.6 PERCENT COMPARED WITH 69.9 PERCENT IN 1976 AND 70.5 PERCENT IN 1975.

6. PRICES. IN 1977 WHOLESALE PRICES ON AVERAGE ROSE BY 16.6 PERCENT, RETAIL PRICES BY 17.0 PERCENT AND COST OF LIVING BY 18.1 PERCENT. GDP DEFLATOR WAS 18.3 PERCENT, SAME AS IN 1976.

7. BALANCE OF PAYMENTS. PROVISIONAL BALANCE OF PAYMENTS UNCLASSIFIED

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IN LIRE (AND IN DOLLARS CONVERTED BY EMBASSY AT DOLS 1.00 EQUALS 882 LIRE, WHICH IS THE AVERAGE FOR 1977) FOLLOWS:

ECONOMIC BALANCE OF PAYMENTS-1977		
	BIL. OF LIRE	MIL. OF DOLS
EXPORTS F.O.B.	39,291	44,548
IMPORTS F.O.B.	39,171	44,412
TRADE	120	136
SERVICES	1,437	1,629
BALANCE G&S	1,557	1,765
UNILATERAL TRANSFERS	300	340

CURRENT ACCT. BAL.	1,857	2,105
CAP. ACCT. E.&O.	321	364

OVERALL BALANCE	2,178	2,469.GARDNER

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